



Report to the Auburn City Council

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| Action Item | 5 |
| Agenda Item No. | |
| City Manager's Approval | |

To: Honorable Mayor and City Council Members
From: Robert Richardson, City Manager
Andy Heath, Administrative Services Director
Date: April 23, 2012
Subject: CalPERS Contract Amendment Resolution of Intention and Disclosure of Costs to Participate in the 1959 Survivor Death Benefit Program

The Issue

Shall the City Council adopt a Resolution of Intention to approve an amendment to the Contract between the City of Auburn and CalPERS providing Public Employees' Retirement Law Section 21754 (Fourth Level or 1959 Survivor Death Benefits) for local police members; and adopt a resolution disclosing the future annual cost of Section 21754 benefits at least two weeks prior to adoption of the Contract Amendment Ordinance?

Conclusions and Recommendations

1. The City Council, by **RESOLUTION**, adopts a Resolution of Intention to approve an amendment to the contract between the Board of Administration California Public Employees' Retirement System and City of Auburn providing Section 21574 (Fourth Level of 1959 Survivor Benefits) for local police members.
2. The City Council, by **RESOLUTION**, consistent with Government Code Section 7507, discloses the future annual employer costs for the increase in benefits by providing Section 21574 for local police members to be \$1,296.00.

Background

On September 13, 2010 and on February 14, 2011 the City Council approved Resolution Nos. 10-116 and 11-20, approving memoranda of understanding between the City and the Auburn Police Officers Association and Auburn Police Sergeants Association, respectively. As referenced in both agreements, the City agreed to contract with CalPERS as soon as practicable to provide the Public Employees' Retirement Law Section 21574 Fourth Level of 1959 Survivor Death Benefits for local police members. City Council actions recommended herein facilitate the implementation of this benefit for the City's police officers.

Analysis**Implementation of Section 21574 Survivor Death Benefit**

The Section 21574 Fourth Level of 1959 Survivor Death Benefit provides an expanded benefit payout in the event of death of an active employee as defined by Public Employee's Retirement Law Section 21530. Steps to implement the contract amendment must be undertaken as follows:

1. Governing body adopts a Resolution of Intention to implement the contract amendment – *April 23, 2012*.
2. Public disclosure of future annual costs to implement the contract amendment at least two weeks prior to the adoption of the Ordinance – *April 23, 2012*.
3. City-facilitated eligible employee election held to determine those interested in participating in the expanded benefit – *during week of April 30, 2012*.
4. Governing body adopts a Contract Amendment Ordinance at least 20 days after the adoption of the Resolution on Intention – *May 14, 2012*.
5. Effective date of the contract amendment is the first day of the payroll period beginning after final adoption of the Contract Amendment Ordinance – *July 1, 2012*.

Certification of Compliance – Government Code Section 7507

Government Code Section 7507 requires future annual costs of providing benefits related to the implementation of Section 21574 Fourth Level of 1959 Survivor Death Benefits be made public for two weeks prior to the adoption of the Ordinance implementing the contract amendment. Assuming an election is made by all eligible members to participate in the expanded benefit program, the future annual costs for the increase in retirement benefits are estimated to be \$1,296.00 (see Attachment A).

Alternatives Available to Council; Implications of Alternatives

1. Adopt a Resolution of Intention approving an amendment to the contract between the Board of Administration California Public Employees' Retirement System and City of Auburn providing Section 21574 (Fourth Level of 1959 Survivor Benefits) for local police members; and adopt a resolution disclosing the future annual employer costs for the increase in benefits by providing Section 21574 for local fire members to be \$1,296.00.
2. Do not adopt a resolution and direct staff accordingly.

Fiscal Impact

Future annual costs borne by the City are estimated to be \$1,296.00 and will be included with budgetary assumptions beginning in Fiscal Year 2012-13.

**Plans New to 1959 Survivor Benefit Program:
Fourth Level**

The Fourth Level 1959 Survivor Benefit provides a monthly allowance of \$950, \$1,900, and \$2,280 for one, two, and three eligible survivors of members respectively, who were covered for this benefit program and who die before retirement. This benefit coverage is available by contract amendment for those members who are not covered by Federal Social Security with their employer. The 1959 Survivor Benefit allowance is payable in addition to any other pre-retirement death benefit paid by CalPERS, with the exception of the Special Death Benefit. If the 1959 Survivor Benefit is greater than the Special Death Benefit, then the difference is paid as the 1959 Survivor Benefit. The Fourth Level assets are pooled.

The CalPERS Board of Administration has approved the Fourth Level 1959 Survivor per member, per month normal costs for the fiscal year beginning July 1, 2010 as follows:

Employer: \$5.40
Employee: \$2.00

The **employer** cost to initially join the 1959 Survivor program is the payment of the pool's annual employer normal cost for a period of five years. For example, if your plan has 65 members who elect the 1959 Survivor Fourth Level Benefit at the time of contract, the employer cost would be \$4,212.00 (member count x normal cost x 12) for the first year. The annual employer normal cost and member counts will be recalculated each year, thus the total employer cost will vary in subsequent years, even though the formula is the same. After the first five years, agencies will be required to pay the net premium for the Fourth Level pool (the pool's normal cost after amortization of the pool's surplus or unfunded liability). The annual payments are due in full at the start of each fiscal year; in general your first full year payment is due on the July 15th following the contract date. As a result, payment cycles may not necessarily correspond with contract anniversary dates.

The **employee** cost to fund the 1959 Survivor program is \$2.00 per covered member, per month.

CalPERS customarily approves new annual costs for the upcoming fiscal year at the May Benefits and Program Administration Committee Meeting. Therefore, if your agency contracts with CalPERS and includes this provision after June 30, 2011, you must contact our office for updated cost information.

Additional information regarding the 1959 Survivor Benefit Program may be found at www.calpers.ca.gov.

POLICE OFFICIALS COVERED BY BENEFIT - 20

COST PER MONTH - \$ 5.40

ANNUAL COST = \$ 5.40 x 12 x 20 = \$1,296.00

**RESOLUTION OF INTENTION
TO APPROVE AN AMENDMENT TO CONTRACT
BETWEEN THE
BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AND THE
CITY COUNCIL
CITY OF AUBURN**

WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies and their employees in the Public Employees' Retirement System by the execution of a contract, and sets forth the procedure by which said public agencies may elect to subject themselves and their employees to amendments to said Law; and

WHEREAS, one of the steps in the procedures to amend this contract is the adoption by the governing body of the public agency of a resolution giving notice of its intention to approve an amendment to said contract, which resolution shall contain a summary of the change proposed in said contract; and

WHEREAS, the following is a statement of the proposed change:

To provide Section 21574 (Fourth Level of 1959 Survivor Benefits) for local police members.

NOW, THEREFORE, BE IT RESOLVED that the governing body of the above agency does hereby give notice of intention to approve an amendment to the contract between said public agency and the Board of Administration of the Public Employees' Retirement System, a copy of said amendment being attached hereto, as an "Exhibit" and by this reference made a part hereof.

By: _____
Presiding Officer

Title

Date adopted and approved

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RESOLUTION NO. 12-

RESOLUTION TO MAKE PUBLIC THE FUTURE ANNUAL COSTS TO PROVIDE
BENEFITS UNDER THE CALPERS SECTION 21574 OF THE CALIFORNIA PUBLIC
EMPLOYEE'S RETIREMENT LAW

THE CITY COUNCIL OF THE CITY OF AUBURN DOES HEREBY RESOLVE:

That the City Council of the City of Auburn, in accordance with
Government Code Section 7507, does hereby adopt a resolution to make public
for two weeks prior to the adoption of an ordinance, cost of providing benefits
under the California Public Retirement System's (CalPERS) Section 21574 -
Fourth Level of 1959 Survivor Death Benefits for local police members,
estimated to be \$1,296.00.

DATED: April 23, 2012

Keith Nesbitt, Mayor

ATTEST:

Joseph G. R. Labrie, City Clerk

I, Joseph G. R. Labrie, City Clerk of the City of Auburn, hereby certify
that the foregoing resolution was duly passed at a regular meeting of the City
Council of the City of Auburn held on the 23rd day of April 2012 by the
following vote on roll call:

Ayes:
Noes:
Absent:

Joseph G. R. Labrie, City Clerk

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